

Annual financial audits needed

Question: I was just elected to my community's HOA board and want to make sure I do things right and make the homeowners happy. Almost the minute after I was elected, I had several homeowners request that we have an audit by a certified public accountant because some believe a portion of last year's monies helped to fund a few of the old directors' Christmases. Do we have to do an audit for last year? And, should we disseminate that audit to the membership?



**CLINT
GOODMAN**

Answer: The board has a duty to protect the association from financial mismanagement. This is why some community documents require annual financial audits. Check your documents and do what they say. If your documents do not answer the question, you must refer to state laws. Arizona statutes require that HOAs have an audit, review or compilation, every year. Reviews and compila-

tions are not as detailed as financial audits but provide financial year-end summaries nonetheless.

It would be a good idea to have an audit by a certified public accountant for the years your community is concerned about. Whatever the outcome, it will put to bed any concerns about prior alleged bad acts.

As far as disseminating an audit to the membership, I have three words: disclose, disclose, disclose. I cannot think of any circumstances that would justify withholding audits, compilations or reviews from the homeowners. In any event, state law requires they be disclosed.

Clint Goodman is a lawyer with Jackson White, practicing in the areas of real estate and association law. Questions Goodman answers in this column are general in nature and his responses should not be construed as legal advice from either him or the Republic. Send those questions to cgoodman@hoainstitute.com.

HOA Q&A